

VZCZCXRO4370
OO RUEHDE RUEHDH RUEHDIR
DE RUEHAD #0490/01 1341334
ZNY CCCCC ZZH
O 141334Z MAY 09
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2479
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RHEHNSC/NSC WASHDC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHMFISS/DEPT OF ENERGY WASHINGTON DC
RUEHUNV/USMISSION UNVIE VIENNA 0092
RUEHFR/AMEMBASSY PARIS 1041
RUEHKO/AMEMBASSY TOKYO 0315
RUEHUL/AMEMBASSY SEOUL 0132

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 000490

NOFORN
SIPDIS

DEPARTMENT FOR ISN/NESS, EEB/CBA AND NEA/ARP
NSC FOR JOST
COMMERCE FOR ITA

E.O. 12958: 05/13/2019
TAGS: [ENRG](#) [KNNP](#) [PGOV](#) [ECON](#) [ETRD](#) [AE](#)
SUBJECT: UAE NUCLEAR TENDER MOVES FULL SPEED

AHeYQPPFrr valued at over USD 20 billion. Bids are due by July 3, and two consortia will be chosen to enter into formal negotiations by July 27. Officials hope the US-UAE 123 Agreement will move to Congress well in advance of the July 3 deadline, to ensure US firms are competitive bidders. Finalization of other bilateral nuclear agreements (with South Korea and Japan), IAEA conventions and domestic laws are on schedule. End Summary.

12. (C/NF) Sticking to its planned project timeline (outlined in Ref A), on May 6 Emirates Nuclear Energy Corporation (ENEC) invited three of six international consortia who submitted requests for qualification to bid on the nuclear tender: GE/Hitachi/Excelon (US/Japan/US), Areva/Bechtel/Gas de France (GDF) (France/US/France), and KEPCO (Korea). Each consortium of a nuclear steam supply system (NSSS) provider, engineering, procurement and construction (EPC) contractor, and operator must respond to the invitation to tender by July 3. ENEC plans to further reduce the field to two consortia by July 27. Negotiations will continue until August 24, with the winning group expected to sign the plant construction and operation contracts on September 15.

13. (C/NF) Executive Affairs Authority Director of Economic Affairs David Scott told EconOff on May 14 that ENEC has not missed any of its project timeline targets. Rather than delaying implementation, ENEC hopes to take advantage of the declines in construction costs caused by the global economic downturn. While some development projects have been delayed, UAE industrial power consumption rose in 2008, leading officials to conclude power demand forecasts may be higher than expected.

THE ROLE OF THE 123

14. (C/NF) Scott said that the UAE hopes the initial 30 day Congressional committee review of the 123 Agreement completed by July 3, or soon after, in order to determine if a consortium with US participants should make the July 27 downselect. (Note: Section 123 of the Atomic Energy Act divides the 90 day Congressional review into two periods: 30 days with House and Senate foreign affairs committees and 60 days with the full Congress. End Note.) As 45 percent of the final selection is based on technical considerations, including ability to deliver, US firms would be significantly disadvantaged if ENEC could not determine the likelihood of 123 implementation. Thus, if the 123 does not reach the Hill shortly, Scott said it would be very tough for any US participant to make the July 27 downselect.

15. (C/NF) If a US bidder made the July 27 downselect, and ultimately won the tender, Scott noted the firm could still face significant commercial exposure related to the 123. If the agreement was not

approved by the September 15 target contract signing, a US bidder would have to begin work (in order to meet the ENEC timeline) and expend funds based on a contingency contract. Scott noted that firms' commercial interests naturally could lead to changes in consortium composition, e.g., US firms could be dropped by their foreign partners if the latter determined the 123 status created too much political risk the US bidder could not deliver.

OTHER BILATERAL AGREEMENTS

¶6. (C/NF) Turning to the status of other bilateral agreements, Scott said the UAEG was satisfied the Japanese government was committed to concluding a peaceful use agreement for nuclear energy, provided the US-UAE agreement was finalized. Scott opined, as Japanese officials have confirmed, that Japan was unlikely to move ahead if the US agreement was not approved. Scott noted that an agreement with South Korea was expected to be signed during the planned visit of the South Korean Prime Minister to the UAE in June. (Note: An agreement with France was completed in January 2008. End Note.)

LEGAL PROGRESS

¶7. (C/NF) Scott said the UAE is making progress on a number of nuclear laws and agreements. The UAE is now consulting with the IAEA on technical translation issues related to the nuclear law. Scott said three IAEA conventions (Convention on Nuclear Safety, Joint Convention on the Safety of Spent Fuel Management, and Amendment to the Convention on the Physical Protection) are under final legal review and should be completed in June.

OLSON